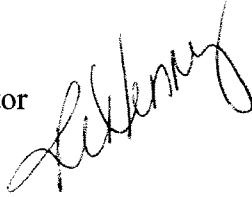


Memorandum

To : Mr. Ramon J. Hirsig
Executive Director

Date: February 28, 2008

From : Randie L. Henry, Deputy Director
Sales and Use Tax Department



Subject : **Tax Gap Proposal Update- Outsourcing Collections**
March 19, 2008 Board Meeting Item P3a(2)

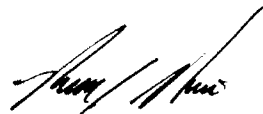
At the March 19, 2008 Board Meeting, I will be providing an update to a previously presented tax gap idea regarding the possibility of potential legislation to allow specified in-state accounts receivables to be sent to a private outside vendor for collection.

Please place this item on the March 19, 2008 Board Meeting agenda under P3.a.2.

RLH:sm

cc: Ms. Diane Olson (MIC 80)

Approved: _____



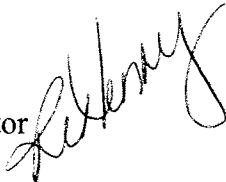
Ramon J. Hirsig, Executive Director

Memorandum

To : Honorable Judy Chu, Ph.D., Chair
Honorable Betty T. Yee, Vice Chairwoman
Honorable Bill Leonard
Honorable Michelle Steel
Honorable John Chiang

Date: February 29, 2008

From : Randie L. Henry, Deputy Director
Sales and Use Tax Department



Subject : Tax Gap Proposal Update- Outsourcing Collections
March 19, 2008 Board Meeting Item P3a(2)

At the September 2007 Board Meeting, the Sales and Use Tax Department (SUTD) presented additional ideas for addressing the tax gap. One of the items presented was the possibility of potential legislation to allow specified in-state account receivables to be sent to a private outside vendor(s) for collection. This memorandum is to update you on the status of this proposal and provide our plan for moving forward.

We have received significant interest from parties who would like to be considered for contracting with us for the collection of some of the Board's account receivables. While the Board has statutory authority for contracting with vendors for out-of-state collections¹, no such authority exists for in-state collections. As a result of discussions regarding a possible legislative change to allow for such collections, concerns have been raised by union representatives² on this proposal.

I am proposing we form a Task Force to create a forum to investigate all relevant issues and determine possible solutions. The Task Force would be an agency-wide effort composed of representatives from SUTD, Property and Special Taxes Department, Administration Department, Legal Department, union representatives and other interested parties. Such a Task Force would allow the Board to continue communications with interested parties to develop possible solutions. I envision a Task Force that will include participation from private vendors, union representatives, and other agencies that have successfully implemented similar legislation and to identify best practices in collections. In addition, a Task Force will also enable the Board to review the types of accounts we would be interested in contracting out to private vendors to achieve the most benefit. A Task Force also gives us an opportunity to obtain direct feedback on our ideas.

¹ Revenue and Taxation Code section 6830, Contracts with private collection entities.

² Service Employees International Union (SEIU)

Feedback received through such a joint effort will be invaluable in moving forward on a contract collection program, if it is determined through the work of the Task Force that this would be the best course of action. I anticipate the Task Force members will be identified by April 30, 2008. This Task Force will enable the Board to be considerate of all concerns, responsive to interested parties and to develop the most efficient method for using private vendors that ensures the highest benefit is achieved for the State.

If you have any questions regarding the information provided, please feel free to contact me at (916) 445-1441.

RLH:sm

cc: Mr. Steve Shea
Mr. Mark Ibele
Mr. Alan LoFaso
Ms. Barbara Alby
Mr. Erik Caldwell
Ms. Marcy Jo Mandel
Mr. Ramon J. Hirsig, MIC 73
Ms. Kristine Cazadd, MIC 83
Mr. David Gau, MIC 63
Ms. Liz Houser, MIC 69